

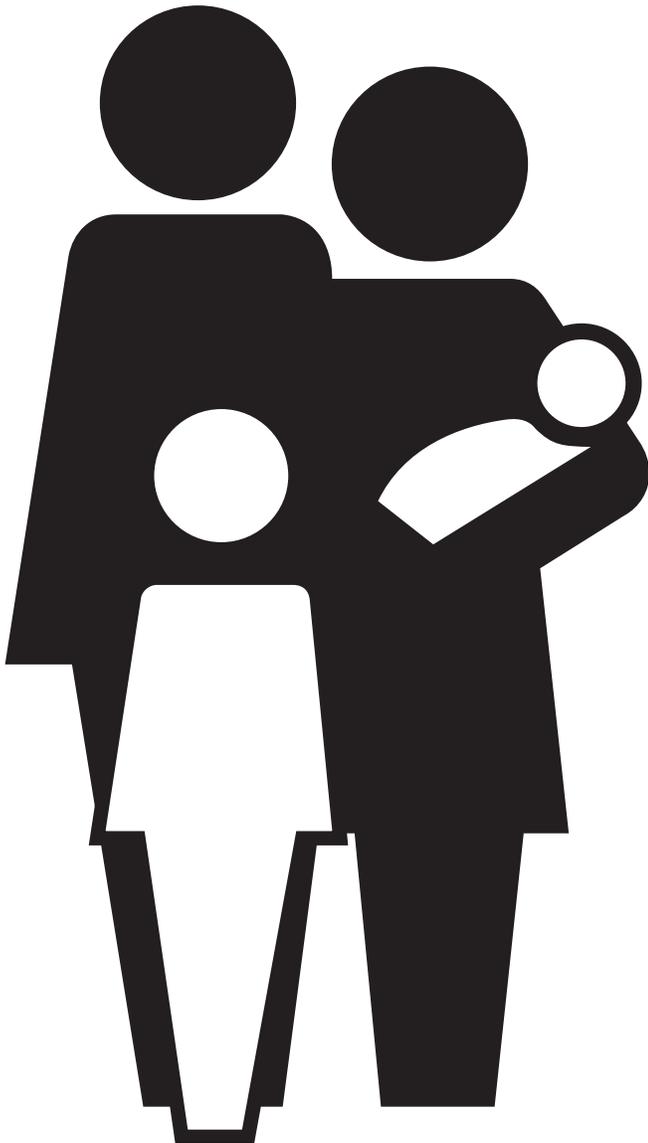


Department of the Treasury
Internal Revenue Service

Publication 596
Cat. No. 15173A

Earned Income Credit

For use in preparing
1998 Returns



The Government May Owe You Money!!

In 1998, if You...

- Earned less than \$26,473 and have one qualifying child living with you,

or

- Earned less than \$30,095 and have more than one qualifying child living with you,

or

- Earned less than \$10,030 and do not have a qualifying child



Then you may be able to get the Earned Income Credit. You also may be able to get the Advanced Earned Income Credit in your paycheck.

Contents

Introduction	3
Do You Qualify for the Credit?	3
Table 1. Earned Income Credit at a Glance	4
Part A. Rules for Everyone	3
A-1. Earned Income	3
A-2. Investment Income Limit	7
A-3. Married Person's Filing Status	8
A-4. Social Security Number (SSN)	8
A-5. Qualifying Child of Another Person	9
A-6. Foreign Earned Income	9
A-7. Nonresident Alien	9
Part B. More Rules If You Have a Qualifying Child	10
B-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit	10
B-2. Qualifying Child	10
B-3. Qualifying Child of More Than One Person	12
Part C. More Rules If You Do Not Have a Qualifying Child	12
C-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit	13
C-2. Age	13
C-3. Dependent of Another Person	13
C-4. Main Home	14
Part D. Figuring the Earned Income Credit ...	14
IRS Will Figure the Credit for You	14
How To Figure the Credit Yourself	15
Comprehensive Examples	16
Earned Income Credit Table	22
Part E. Advance Earned Income Credit	25
Part F. Disallowance of Earned Income Credit	25
Part G. How To Get More Information	26
Earned Income Credit Eligibility Checklist	28

Important Changes for 1998

Earned income credit is more. The maximum amount of credit has increased for 1998. The most you can receive is:

- \$2,271 with one qualifying child,
- \$3,756 with more than one qualifying child, or
- \$341 without a qualifying child.

Earned income amount is more. The amount you can earn and still get the credit has increased for 1998. The amount you earn must be less than:

- \$26,473 with one qualifying child,
- \$30,095 with more than one qualifying child, or

- \$10,030 without a qualifying child.

Investment income amount is more. The maximum amount of investment income you can have and still get the credit has increased for 1998. You can have investment income up to \$2,300. For most people, investment income is taxable interest and dividends, tax-exempt interest, and capital gain net income. To get more detailed information, see rule A-2 on page 7.

Modified AGI (adjusted gross income). Beginning in 1998, your modified AGI used to limit your credit includes:

- 1) Tax-exempt interest, and
- 2) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.

Also, the amount of business losses that must be added back to AGI to figure modified AGI has increased from 50% to 75%. See rule B-1 on page 10 or rule C-1 on page 13.

New form to claim credit after disallowance. You will now have to file Form 8862, *Information To Claim Earned Income Credit After Disallowance*, to claim the earned income credit if you have been denied the credit as a result of deficiency procedures. See Part F on page 25.

Workfare payments. Earned income does not include workfare payments. See *Workfare payments* on page 6, under *What Counts as Earned Income?* for more information.

Important Reminders

Advance payment of the earned income credit in your paycheck. If you qualify for the earned income credit in 1998, you can receive part of it in each paycheck throughout the year. See Part E on page 25.

Earned income credit has no effect on certain welfare benefits. The earned income credit and advance earned income credit payments you receive will not be used to determine whether you are eligible for the following benefit programs, or how much you can receive from these programs.

- Temporary assistance for needy families.
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

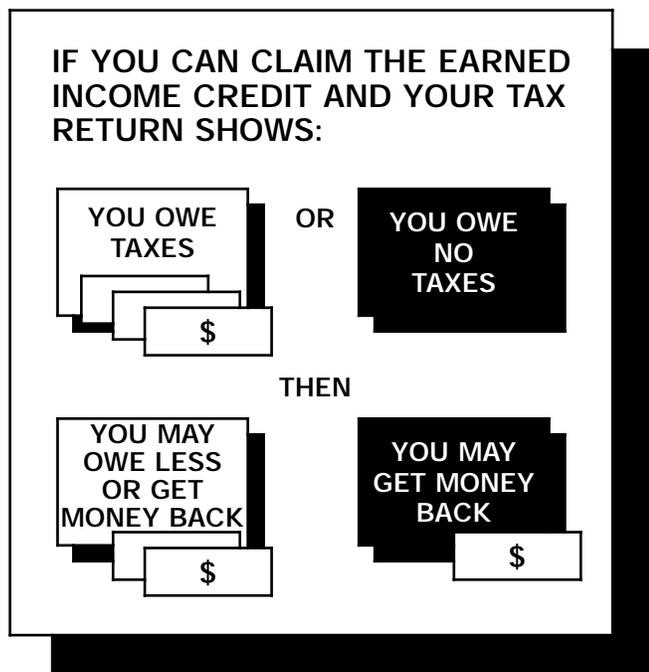
Social security number. You must provide a correct and valid social security number (SSN) for yourself, your spouse, and any qualifying children. If an SSN is missing or incorrect, you may not get the credit. See rule A-4 on page 8.

Introduction

The earned income credit is a special credit for certain people who work. The credit reduces the amount of income tax you owe (if any) and is intended to offset some of the increases in living expenses and social security taxes.

How do you get the earned income credit? To get the earned income credit you must:

- 1) Qualify by meeting certain rules, and
- 2) File a tax return, even if you:
 - a) Do not owe any tax,
 - b) Did not earn enough money to file a return, or
 - c) Did not have income taxes withheld from your pay.



When you complete your return, you can figure your earned income credit by using a worksheet in the instructions for the return. Or, if you prefer, you can let the IRS figure the credit for you.

How will this publication help you? This publication will help you decide if you qualify for the earned income credit. It explains:

- What rules you must meet to qualify for the credit,
- How to figure the credit, and
- How to get advance payment of the credit in your paycheck.

To learn about the rules you must meet, first read *Do You Qualify for the Credit?*.

Earned income credit disallowed. If your credit has been disallowed because of deficiency procedures, you will have to file Form 8862 to claim the credit again. See Part F for more information.

Do You Qualify for the Credit?

To qualify for the earned income credit, you must meet certain rules. These rules are explained in Part A, *Rules for Everyone*, Part B, *More Rules If You Have a Qualifying Child*, and Part C, *More Rules If You Do Not Have a Qualifying Child*. You qualify for the credit if you meet all the rules in each part that applies to you.

- If you have a qualifying child, the rules in Parts A and B apply to you.
- If you do not have a qualifying child, the rules in Parts A and C apply to you.

Do You Have a Qualifying Child?

Basically, a qualifying child is a child who:

- 1) Is your son, daughter, adopted child, grandchild, stepchild, or eligible foster child, **and**
- 2) Was (at the end of 1998) under age 19, under age 24 and a full-time student, or any age and permanently and totally disabled during the year, **and**
- 3) Lived with you in the United States for more than half of 1998 (for all of 1998 if the child is your eligible foster child).

See rule B-2, *Qualifying Child*, on page 10 for more detailed information.

Table 1. Earned Income Credit at a Glance

Use Table 1 as a guide to Parts A, B, and C. The table is a summary list of all the rules in each part. Each rule listed has a rule number. Use this rule number to find a more detailed discussion of that rule in this publication.

Part A. Rules for Everyone

This part of the publication discusses rules A-1 through A-7. You must meet all seven rules to qualify for the earned income credit. If you do not meet all seven rules, you cannot get the credit and you do not need to read the rest of the publication.

If you meet all seven rules in this part, then read either Part B or Part C (whichever applies) for more rules you must meet.

A-1. Earned Income

This credit is called the “earned income credit” because, to qualify, you must work and have earned income. If you are married and file a joint return, you meet this rule if at least one spouse works and has earned income.

Table 1. Earned Income Credit at a Glance

(Use as a guide to Parts A, B, and C)

Part A Rules for Everyone	Part B More Rules If You Have a Qualifying Child	Part C More Rules If You Do Not Have a Qualifying Child
<ul style="list-style-type: none"> <input type="checkbox"/> You must have earned income. (See rule A-1 on page 3) <input type="checkbox"/> Your investment income cannot be more than \$2,300. (See rule A-2 on page 7) <input type="checkbox"/> Your filing status cannot be "Married Filing Separately." (See rule A-3 on page 8) <input type="checkbox"/> You must have a social security number. (See rule A-4 on page 8) <input type="checkbox"/> Neither you nor your spouse can be a qualifying child of another person. (See rule A-5 on page 9) <input type="checkbox"/> You cannot file a Form 2555, <i>Foreign Earned Income</i> (or Form 2555-EZ, <i>Foreign Earned Income Exclusion</i>). (See rule A-6 on page 9) <input type="checkbox"/> You cannot be a nonresident alien for any part of the year. (See rule A-7 on page 9) 	<ul style="list-style-type: none"> <input type="checkbox"/> Your earned income and modified adjusted gross income (AGI) must each be less than: <ul style="list-style-type: none"> ● \$26,473 if you have one qualifying child, or ● \$30,095 if you have more than one qualifying child. (See rule B-1 on page 10) <input type="checkbox"/> You must have a qualifying child. (See rule B-2 on page 10) <input type="checkbox"/> Your qualifying child cannot be the qualifying child of another person whose modified AGI is higher than yours. (See rule B-3 on page 12) 	<ul style="list-style-type: none"> <input type="checkbox"/> Your earned income and modified AGI must each be less than \$10,030. (See rule C-1 on page 13) <input type="checkbox"/> You (or your spouse, if filing a joint return) must be at least age 25 but under age 65. (See rule C-2 on page 13) <input type="checkbox"/> Neither you nor your spouse can be eligible to be claimed as a dependent on another person's return. (See rule C-3 on page 13) <input type="checkbox"/> Your main home must be in the United States for more than half of the year. (See rule C-4 on page 14)

Figuring your total earned income. You can figure your total earned income on the **Earned Income Credit Worksheet** (EIC Worksheet) in your tax return instructions for:

- Lines 59a and 59b (Form 1040),
- Lines 37a and 37b (Form 1040A), or
- Lines 8a and 8b (Form 1040EZ).

If you file Form 1040, complete lines 1 through 6 of the EIC worksheet to figure your total earned income.

If you file Form 1040A or Form 1040EZ, complete lines 1 through 5.



If the total of your taxable and nontaxable earned income is \$26,473 or more (if you have one qualifying child), \$30,095 or more (if you have more than one qualifying child), or \$10,030 or more (if you do not have a qualifying child), print "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).

There Are Two Ways To Get Earned Income. You Must Work:

1)

For Someone
Who Pays You



or

2)

In A Business
You Own



What Counts as Earned Income?

Earned income includes all the income you get from working—even if it is not taxable. Enter any nontaxable earned income on line 4 of the EIC Worksheet. If you claim the earned income credit, also enter any nontaxable earned income on Form 1040, line 59b (Form 1040), line 37b (Form 1040A), or line 8b (Form 1040EZ). (But see the “caution” under *Special procedures for a minister or a member of a religious order*, under *What Counts as Earnings from Self-Employment?*, on page 6.)



If you are married, filing as head of household (see rule A-3), and live in a state that has community property laws, your earned income for the credit does not include any amount earned by your spouse that is treated as belonging to you under those laws. That amount is not earned income for the credit even though you must include it in your gross income on your income tax return.

For some examples of items that are included or not included in earned income, see Table 2, *Examples of Earned Income for the Earned Income Credit*, on page 7. Some of the items listed are discussed in more detail later. Earnings from self-employment are discussed separately.

Special note for household employees. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, be sure to include the amount you were paid on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ). Print “HSH” and the amount not reported on Form W-2 on the dotted line next to line 7 (Form 1040), or in the

space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ).

U.S. military pay. Combat zone excluded pay, basic quarters and subsistence allowances, and the value of in-kind quarters and subsistence are all earned income that is not taxed but must be used when you figure the earned income credit. These amounts will be on your W-2 in box 13 under code “Q.” See Publication 3, *Armed Forces' Tax Guide*, for more detailed information.

Disability benefits. If you retired on disability, benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income. Report taxable pension payments on Form 1040, lines 16a and 16b (or Form 1040A, lines 11a and 11b).

Salary reductions under cafeteria plans. If your employer offers a benefit plan that allows you to choose among two or more benefits consisting of cash and benefits that are not taxed, you are probably participating in a cafeteria plan. If you choose a benefit that is not taxed (such as accident and health insurance), the amount of the salary reduction (because you did not choose cash) is earned income when figuring this credit.

Earnings while an inmate. Amounts paid to inmates in penal institutions for their work are not earned income when figuring the earned income credit. These amounts include amounts received through a work release program or while in a halfway house. If the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ) includes this income, do not enter that total on line 1 of the EIC Worksheet. Instead, subtract that income from the total and enter the result on line 1 of the EIC Worksheet. Also, print “PRI” and the amount subtracted on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ).

Native Americans. Income received by Native Americans that is exempt from federal income tax under the Internal Revenue Code or because of a treaty, agreement, Act of Congress, or other federal law is earned income for the credit if it is compensation for services performed as an employee. However, nontaxable income received for performing services as a self-employed individual is not earned income when figuring the earned income credit.

Workfare payments. Earned income does not include workfare payments. These are cash payments certain families receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families program in return for (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities. If the total on line 7 of Form 1040 or 1040A, or line 1 of Form 1040EZ, includes such income, subtract that income from the amount on line 7 of Form 1040 or 1040A, or line 1 of Form 1040EZ. Also, enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040, in the space to the left of line 7 of Form 1040A, or to the right of the words "W-2 form(s)" on line 1 of Form 1040EZ.

What Counts as Earnings from Self-Employment?

Your earnings from self-employment are earned income for the credit. You may have earnings from self-employment if:

- You own your business,
- You are a minister or member of a religious order, or
- You reported income and expenses on Schedule C or C-EZ (Form 1040) as a statutory employee.

Enter your earnings (or loss) from self-employment on line 5 of the EIC Worksheet. Figure the amount to enter on line 5 by completing the separate worksheet for that line in the Form 1040 instructions for lines 59a and 59b.

Statutory employee's earnings. If you reported income and expenses on Schedule C or C-EZ (Form 1040) as a statutory employee, your earnings from self-employment are the amount on line 1 of either schedule. Enter that amount on line 3 of the separate worksheet for line 5 of the EIC Worksheet.

Other earnings. Your earnings from self-employment in a business you own, or from your services as a minister or member of a religious order, are earned income for the credit. You must include these earnings in earned income even if your net earnings are less than \$400. (But if you are a minister or member of a religious order, see *Approved Form 4361* or *Approved Form 4029*, later.)

If you have a loss from self-employment, you must subtract the loss from your other earned income.



If your net earnings from self-employment are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040) and pay the proper amount of self-employment tax. If you do not, you may not get all the earned income credit you are entitled to.

Schedule SE. If you are filing Schedule SE (Form 1040), your earnings from self-employment are the amount you get after you subtract one-half of your self-employment tax (Form 1040, line 27) from your net

profit (Schedule SE, line 3 of either Section A or Section B, whichever applies). You figure this amount on lines 1a through 1e of the separate worksheet for line 5 of the EIC Worksheet.



Using the optional methods on Schedule SE to figure your net earnings from self-employment may qualify you for the earned income credit or give you a larger credit if your net earnings (determined without using the optional methods) are less than \$1,600. If you use the optional methods, you increase your earnings from self-employment by adding the amount from line 4b of Section B, Schedule SE, to your net profit. See Publication 533, Self-Employment Tax, and the instructions for Schedule SE for details.

If you do not have to file Schedule SE. If you do not have to file Schedule SE (for example, because your net earnings from self-employment are less than \$400), your earnings (or loss) from self-employment are the net profit or loss from your self-employment activities. Enter this amount on line 2a or 2b of the separate worksheet for line 5 of the EIC Worksheet. (But if you are a minister or member of a religious order, see *Approved Form 4361* or *Form 4029*, later.)

Special procedures for a minister or member of a religious order. If you file Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special procedures.

- 1) If you claim the credit, print "**Clergy**" to the right of line 59a, Form 1040. Also show the amount included on both lines (for example, "Clergy \$800").
- 2) Determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2.
- 3) Subtract that income from the amount on Form 1040, line 7. Enter only the result on line 1 of the EIC Worksheet.
- 4) Complete the separate worksheet for line 5 in the Form 1040 instructions for lines 59a and 59b.



*If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on line 4 of the EIC Worksheet (or on line 59b, Form 1040) if it is required to be included on Schedule SE, line 2.*

Approved Form 4361 or Form 4029. This section is for persons who have an approved:

- Form 4361, *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
- Form 4029, *Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits*.

Each approved form exempts certain income from the self-employment tax. Each form is discussed in this

Table 2. Examples of Earned Income for the Earned Income Credit

Earned Income	
Includes:	Does not include:
<p>Taxable earned income (Enter on EIC Worksheet, Line 1):</p> <ul style="list-style-type: none"> Wages, salaries, and tips Union strike benefits Long-term disability benefits received prior to minimum retirement age Earnings from self-employment (enter on line 5 of the Form 1040 EIC Worksheet) 	<ul style="list-style-type: none"> Interest and dividends Social security and railroad retirement benefits Welfare benefits Workfare payments Pensions or annuities Veterans' benefits (including VA rehabilitation payments) Workers' compensation benefits
<p>Nontaxable earned income (Enter on EIC Worksheet, line 4):</p> <ul style="list-style-type: none"> Salary deferrals (for example: under a 401(k) plan or the Federal Thrift Savings Plan) Combat zone excluded pay (box 13, code Q, of your W-2) Basic quarters and subsistence allowances and in-kind quarters and subsistence for the U.S. Military (box 13, code Q, of your W-2) The value of meals or lodging provided by an employer for the convenience of the employer Housing allowance or rental value of a parsonage for the clergy (see "Minister or member of a religious order" in Part D) Excludable dependent care benefits (line 18 of either Form 2441 or Schedule 2) Salary reductions such as under a cafeteria plan Anything else of value you get from someone for services you performed even if it is not taxable 	<ul style="list-style-type: none"> Alimony Child support Unemployment compensation (insurance) Taxable scholarship or fellowship grants that are not reported on Form W-2 Variable housing allowance for the military Earnings for work performed while an inmate at a penal institution

section in terms of what is or is not earned income for purposes of the earned income credit.

Form 4361. If you have an approved Form 4361, amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other employee compensation. Other employee compensation includes nontaxable compensation such as housing allowances or the rental value of a parsonage that you receive as part of your pay for services as an employee.

Amounts you received in the exercise of ministerial duties, but not as an employee, are not earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Any compensation you received from an undertaking unrelated to the ministry is earned income. This is so, whether you received the amounts as an employee or as a self-employed individual.

Form 4029. If you have an approved Form 4029, all wages, salaries, tips, and other employee compensation are earned income. Amounts you received as

a self-employed individual are not earned income. Also, losses from Schedule C, C-EZ, or F cannot be subtracted from wages on line 7 of Form 1040.

A-2. Investment Income Limit

You cannot claim the earned income credit if your investment income is more than \$2,300. For most people, investment income is the total of the following amounts.

- Taxable interest (line 8a of Form 1040 or 1040A).
- Tax-exempt interest (line 8b of Form 1040 or 1040A).
- Dividend income (line 9 of Form 1040 or 1040A).
- Capital gain net income. (For this purpose only, capital gain net income is the amount on line 13 of Form 1040 minus any amount on line 9, column (g), of Form 4797, *Sales of Business Property*. If this capital gain net income is less than zero, disregard

it. Do not use it to reduce your other investment income.)

However, if you are reporting income from the rental of personal property on Form 1040, line 21, investment income also includes that income in excess of the total deductible related expenses. If you are filing Schedule E (Form 1040), *Supplemental Income and Loss*, investment income also includes the following amounts.

- Royalty income on Schedule E, line 4, in excess of the total related expenses on line 21 of that schedule.
- Income from passive activities (included on Schedule E, lines 26, 28a (col. (h)), 33a (col. (d)), and 39) in excess of the losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). But **do not** take into account any royalty income or (loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 39 of Schedule E is from a passive activity, see the Schedule E instructions.



If any of the rental real estate income or (loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of that income or (loss) on the dotted line next to line 26.

A-3. Married Person's Filing Status

If you are married, you usually must file a joint return to claim the earned income credit. Your filing status cannot be "Married filing separately."

Exception for head of household. You do not have to file a joint return if you can file as head of household. To file as head of household:

- 1) Your spouse must not have lived in your home at any time during the last 6 months of the year,
- 2) You must have paid more than half the cost to keep up your home for the entire year, and
- 3) Your home must have been, for more than half of the year, the main home of your child, adopted child, stepchild, or foster child for whom you can claim an exemption.

You will meet (3) even if you cannot claim an exemption for your child because:

- You gave that right to the other parent by filling out **Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents**, or similar written statement, or
- You gave that right to the other parent in a pre-1985 agreement (decree of divorce or separate maintenance or written agreement).

For more information about filing as head of household, see the instructions for Form 1040 or Form 1040A.

If a child who qualifies you for head of household filing status also meets the requirements of a qualifying

child, you may be able to take the credit under the rules in Parts A and B.

Example 1. You are married and lived apart from your spouse all year. You earned \$8,000 and your 19-year-old son lived with you all year. You provided more than half the cost of keeping up your home. Your son had a part-time job and earned \$2,000. He was not a full-time student or permanently and totally disabled. You qualify for the "head of household" filing status and claim your son as a dependent. You can get the earned income credit only if you meet all the rules in Parts A and C. You cannot use the rules in Part B because your son is not a qualifying child.

Example 2. The facts are the same as in Example 1, except your son is 18. In this case, your son is your dependent and a qualifying child. You qualify for the credit if you meet the rules in Parts A and B.

A-4. Social Security Number (SSN)

To claim the earned income credit, you **must** have a valid SSN for you, your spouse (if filing a joint return), and your qualifying child.

An SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. You cannot get the earned income credit if the SSN was issued solely for use in applying for or receiving federally funded benefits. If your social security card says "Not valid for employment" you cannot get the earned income credit.



If an SSN for you, your spouse, or qualifying child is missing from your tax return or is incorrect, you may not get the credit.

Other taxpayer identification numbers. You cannot get the credit if, instead of an SSN, you, your spouse, or your qualifying child has:

- An individual taxpayer identification number (ITIN), which is issued to a noncitizen who cannot get an SSN, or
- An adoption taxpayer identification number (ATIN), which is issued for a child to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

Getting an SSN. If you, your spouse, or your child does not have an SSN, apply for one by filing **Form SS-5** with the Social Security Administration.

Qualifying child's SSN. Enter the SSN for your qualifying child on Schedule EIC, line 4. If your qualifying child is your dependent, also enter the SSN on line 6c of Form 1040 or Form 1040A.

Birth and death of your child. If your child was born and died in 1998 and did not have an SSN, attach a copy of the child's birth certificate and enter "Died" on line 4 of Schedule EIC.

Filing deadline approaching and still no SSN. If the filing deadline is approaching and you still do not have an SSN, you have two choices.

- 1) Request an automatic 4-month extension (Form 4868). This extension does not give you extra time to pay any tax owed. You should pay any amount you expect to owe to avoid interest or penalty charges. (See the instructions for Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*.)
- 2) File the return on time without claiming the earned income credit. After receiving the SSN, file an amended return (Form 1040X) claiming the credit, and attach a filled-in Schedule EIC (if you have a qualifying child).

A-5. Qualifying Child of Another Person

If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the earned income credit.

Are you a qualifying child? Basically, you are a qualifying child of another person (your parent, guardian, foster parent, etc.) if:

- You are that person's son, daughter, adopted child, stepchild, grandchild, or eligible foster child,
- At the end of the year you were under age 19, under age 24 and a full-time student, or any age and permanently and totally disabled, **and**
- You lived with that person in the United States for more than half of the year (all year if you were an eligible foster child). For the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period.

See rule B-2, *Qualifying Child*, on page 10 if you need further information.

Example 1. You lived with your mother all year. You are age 26 and permanently and totally disabled. Your only income was from a community center where you went twice a week to answer telephones. You earned \$1,500 for the year.

You are a qualifying child of your mother. She can claim the credit if she meets all the rules in Parts A and B. Because you are a qualifying child of your mother, you cannot claim the earned income credit even if you meet all the other rules in Parts A and C. This is so even if your mother cannot claim the credit because her income is too high.

Example 2. You and your daughter lived with your mother all year. You are 22 years old and attended a trade school full time. You had a part-time job and earned \$5,700. You had no other income.

Your daughter is your qualifying child, but both you and your daughter are qualifying children of your mother. Your mother can claim the earned income

credit if she meets all the rules in Parts A and B. Because you are your mother's qualifying child, you cannot claim the earned income credit even if you meet all the other rules in Parts A and B. This is so even if your mother cannot claim the credit because her income is too high.



If you (or your spouse if filing a joint return) were a qualifying child of another person in 1998, enter "No" directly to the right of line 59a (Form 1040) or 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).

A-6. Foreign Earned Income

You cannot claim the earned income credit if you file Form 2555, *Foreign Earned Income*, or Form 2555-EZ, *Foreign Earned Income Exclusion*. You file these forms to exclude income earned in foreign countries from your gross income, or to deduct or exclude a foreign housing amount. U. S. possessions are not foreign countries. See Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for more detailed information.

A-7. Nonresident Alien

You cannot claim the earned income credit if you are a nonresident alien for any part of the year, unless:

- 1) You are married to a U.S. citizen or a resident alien, **and**
- 2) You choose to be treated as a resident for all of 1998.



If you make the choice in (2) above, you and your spouse are taxed on your worldwide income. You cannot claim any tax treaty benefits as a resident of a foreign country during a tax year in which the choice is in effect.

How to make the choice. To make the choice, file a joint return for the first tax year for which the choice applies and attach a statement signed by both spouses. The statement should contain the following:

- A declaration that one spouse was a nonresident alien and the other spouse was a U.S. citizen or resident alien on the last day of your tax year, and that you choose to be treated as a U.S. resident for all of 1998, and
- The name, address, and social security number of each spouse.

For more information on making this choice, get Publication 519, *U.S. Tax Guide for Aliens*.



If you make the choice and qualify for the earned income credit, you must have social security numbers for you, your spouse, and any qualifying children. See rule A-4, Social Security Number (SSN), on page 8 for more information.

Part B. More Rules If You Have a Qualifying Child

Use this *Part B* if you:

- 1) Have a qualifying child, and
- 2) Have met all the rules in *Part A*.

This part of the publication discusses rules B-1 through B-3. You must meet all three rules, in addition to the rules in Part A, to qualify for the earned income credit with a qualifying child.

If you meet all the rules in Part A and this part, you must file Form 1040 or Form 1040A to claim the credit. (You cannot file Form 1040EZ.) You must also complete Schedule EIC and attach it to your return. If you meet all the rules in Part A and this part, read Part D to find out what to do next.



If you do not meet rule B-2, you do not have a qualifying child. Read Part C to find out if you can get the earned income credit.

B-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit

To claim the earned income credit, your earned income and modified AGI must each be less than:

- \$26,473 if you have one qualifying child, or
- \$30,095 if you have two or more qualifying children.

Earned income. Earned income includes all the income you get from working—even if it is not taxable. For examples, see rule A-1, *Earned Income*, on page 3.



If the total of your taxable and nontaxable earned income is \$26,473 or more (if you have one qualifying child) or \$30,095 or more (if you have more than one qualifying child), print "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A).

Modified AGI. Modified AGI for most people is the same as AGI. AGI includes items such as taxable social security benefits and unemployment benefits. AGI is the amount on line 33 (Form 1040), line 18 (Form 1040A), or line 4 (Form 1040EZ).

But if you are filing Schedule C, C-EZ, D, E, or F, or you claim a loss from the rental of personal property not used in a trade or business, your modified AGI is the amount on Form 1040, line 33, **plus** the total of the following amounts.

- 1) Any loss claimed on Form 1040, line 13.
- 2) Any loss claimed on Schedule E, line 36.
- 3) Any royalty loss included on Schedule E, line 26.
- 4) Three-fourths of **each** of the following losses.

- a) Any loss on Form 1040, line 12. (See *More than one business*, later.)
- b) Any loss on Form 1040, line 18.
- c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule.

5) Any loss from the rental of personal property not used in a trade or business (the amount by which the expenses for the rental deducted as an adjustment to line 32, Form 1040, are more than the income from the rental included on line 21, Form 1040).

6) Any tax-exempt interest.

7) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.

More than one business. If you have a loss on Form 1040, line 12, add to your AGI 75% (.75) of the amount on line 12, even if that amount is the result of combining gains and losses from more than one Schedule C.

This rule also applies if:

- You have a loss on Form 1040, line 18, or
- The result of combining the amounts on lines 31 and 39 of Schedule E with any rental real estate income (or loss) included on line 26 of Schedule E is a loss.

Example. You have two Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12, Form 1040. To figure your modified AGI, add back \$6,000 (75% of the \$8,000 loss). If your AGI is \$40,000 and you have no other modifications, your modified AGI is \$46,000.

Roth IRA conversion. If you have converted your traditional IRA to a Roth IRA and elected to spread the taxable amount over 4 years, only 25% of the taxable amount is reported each tax year. This 25% is added to your AGI on line 16b of Form 1040, or line 10b of Form 1040A. **Do not** add the other 75% of the taxable amount to your modified AGI for this tax year. The other 75% will be added to your AGI over the other 3 years.

B-2. Qualifying Child

You have a qualifying child if your child meets three tests. The three tests are:

- 1) Relationship,
- 2) Residency, and
- 3) Age.

If your child does not meet all three tests of a qualifying child, then you cannot claim the credit for persons with a qualifying child. However, you might qualify for the credit if you do not have a qualifying child and your

earned income is under \$10,030. See Part C on page 12.

TIP *Your qualifying child generally does not have to be your dependent. But see Married child below.*

Relationship Test

To meet the relationship test, the child must be your:

- Son, daughter, or adopted child (or a descendant of your son, daughter, or adopted child—for example, your grandchild),
- Stepson or stepdaughter, or
- Eligible foster child (this could include a niece, nephew, brother, sister, cousin, etc.).

Adopted child. Your adopted child includes a child placed with you for adoption by an authorized placement agency, even if the adoption is not final.

Eligible foster child. For the earned income credit, a person is your eligible foster child if:

- 1) The child lived with you and was a member of your household for the **whole** year, **and**
- 2) You cared for that child as you would your own child.

The eligible foster child does not have to be related to you.

Married child. A child who was married at the end of the year does not meet the relationship test, unless you can claim an exemption for the child. However, you do not have to be able to claim the child's exemption if you meet either of the following exceptions.

- 1) You cannot claim your child's exemption only because you gave that right to your child's other parent by filling out Form 8332 or a similar written statement.
- 2) You cannot claim your child's exemption only because you gave that right to your child's other parent in a pre-1985 agreement (such as a separation agreement or divorce decree).

TIP *If you need more information about either of these exceptions or when you can claim an exemption for your child, see Publication 501, Exemptions, Standard Deduction, and Filing Information or Publication 504, Divorced or Separated Individuals.*

Residency Test

To meet the residency test, the child:

- 1) Must have lived with you for more than half the year (the whole year if the child is an eligible foster child), and
- 2) The home must be in the United States (one of the 50 states or the District of Columbia).

To meet the residency test, you do not need a traditional home. For example, if your child lived with you for more than half the year in a homeless shelter, the residency test is met.

Military personnel stationed outside the United States. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the earned income credit.

Extended active duty. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.

TIP *See Publication 3 for more information on claiming the earned income credit.*

Birth or death of a child. The child is considered to have lived with you for all of 1998 if **both** of the following apply.

- 1) The child was born or died in 1998.
- 2) Your home was the child's home for the entire time he or she was alive during 1998.

Temporary absences. Count time that you or the qualifying child is away from home on a temporary absence due to a special circumstance as time lived at home. Examples of a special circumstance include:

- Illness,
- Attending school,
- Business,
- Vacation, and
- Military service.

Age Test

To meet the age test, your child must be:

- 1) Under age 19 at the end of the year,
- 2) A full-time student under age 24 at the end of the year, or
- 3) Permanently and totally disabled at any time during the tax year, regardless of age.

Full-time student. A full-time student is a student who is enrolled for the number of hours or courses the school considers to be full-time attendance.

Student defined. To qualify as a student your child must be, during some part of each of 5 calendar months during the calendar year:

- 1) A full-time student at a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance, or
- 2) A student taking a full-time, on-farm training course given by a school described in (1), or a state, county, or local government.



The 5 calendar months need not be consecutive.

School defined. The term “school” includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does **not** include on-the-job training courses, correspondence schools, and night schools. (But see *Night school*, later.)

Vocational high school students. Students who work on “co-op” jobs in private industry as a part of a school’s prescribed course of classroom and practical training are considered full-time students.

Night school. Your child is not a full-time student while attending school only at night. However, full-time attendance at a school may include some attendance at night as part of a full-time course of study.

Permanently and totally disabled. Your child is permanently and totally disabled if both the following apply:

- 1) He or she cannot engage in any substantial gainful activity because of a physical or mental condition, **and**
- 2) A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

B-3. Qualifying Child of More Than One Person

If you and someone else have the same qualifying child, the person with the higher modified AGI is the only one who may be able to claim the credit. The person with the lower modified AGI cannot claim the credit. This is true even if the person with the higher modified AGI does not claim the credit or meet all of the rules to claim the credit.

If three or more persons have the same qualifying child, the person with the highest modified AGI is the only one who may be able to claim the credit.



If you are filing Form 1040 or Form 1040A and cannot claim the earned income credit because of this rule, print “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A).

Example 1. You and your son lived with your mother all year. You are 25 years old. Your only income was \$9,300 from a part-time job. Your mother’s only income was \$15,000 from her job.

Your son is a qualifying child of both you and your mother. However, because you both have the same qualifying child, only one of you can claim the credit. Because your mother’s modified AGI (\$15,000) is more than your modified AGI (\$9,300), only your mother can claim the earned income credit. You cannot claim the credit either with or without a qualifying child.

Example 2. The facts are the same as in *Example 1*, except that your mother’s modified AGI is \$40,000.

Your mother cannot claim the earned income credit because her modified AGI is more than \$26,473. (See rule B-1.) Even though your mother cannot claim the earned income credit, you cannot claim the credit ei-

ther, because your mother’s modified AGI is more than yours.

Example 3. You and your sister shared a household for the entire year. You have 3 young children who lived in the household. Your sister does not have any children. However, she cares for your children as if they were her own. You earn \$15,000 and she earns \$20,000.

The children meet the age and residency tests for both you and your sister. They meet the relationship test for you because they are your children. They also meet the relationship test for your sister because they lived with her in the same household for the whole year and she cared for them as if they were her own. Therefore, they qualify as her eligible foster children.

Your children are qualifying children for both you and your sister. However, because your sister’s modified AGI is higher than yours, she is the only one who can claim the credit.



You and your sister cannot split the three qualifying children between you. You cannot claim the credit even though your sister enters the names of only two of the children on her Schedule EIC. (Schedule EIC has spaces for the names of only two qualifying children because the credit is the same amount for two or more qualifying children.)

Example 4. You, your spouse, and your son lived together until July 15, 1998, when your spouse moved out of the household. In November 1998, you and your spouse were divorced. Your modified AGI was \$13,000. Your former spouse’s modified AGI was \$18,000. Your son is a qualifying child of both you and your former spouse, because your son lived with each of you for more than half the year. However, because your former spouse’s modified AGI (\$18,000) was more than your modified AGI (\$13,000), only your former spouse can claim the earned income credit for 1998.

Unmarried couples living together. If an unmarried couple lives together with a qualifying child of both persons, the person with the higher modified AGI is the only one who may be eligible to claim the credit. The person with the lower modified AGI cannot claim the credit either with or without a qualifying child.



If the other person is your spouse and you file a joint return, rule B-3 does not apply.

Part C. More Rules If You Do Not Have a Qualifying Child

Use this *Part C* if you:

- 1) Do not have a qualifying child, and
- 2) Have met all the rules in *Part A*.

This part of the publication discusses rules C-1 through C-4. You must meet all four rules, in addition to the rules in *Part A*, to qualify for the earned income

credit without a qualifying child. If you meet all the rules in Part A and this part, read Part D to find out what to do next.



If you have a qualifying child, the rules in this part do not apply to you. You can claim the credit only if you meet all the rules in Part A and Part B. See rule B-2 on page 10 to find out if you have a qualifying child.

C-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit

To claim the earned income credit without a qualifying child, your earned income and modified AGI must each be less than \$10,030.

Earned income. Earned income includes all the income you get from working—even if it is not taxable. For examples, see rule A-1 on page 3.



If the total of your taxable and nontaxable earned income is \$10,030 or more, print “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).

Modified AGI. Modified AGI for most people is the same as AGI. AGI includes items such as taxable social security benefits and unemployment benefits. It is the amount on line 33 (Form 1040), line 18 (Form 1040A), or line 4 (Form 1040EZ).

But if you are filing Schedule C, C-EZ, D, E, or F, or you claim a loss from the rental of personal property not used in a trade or business, your modified AGI is the amount on Form 1040, line 33, **plus** the total of the following amounts.

- 1) Any loss claimed on Form 1040, line 13.
- 2) Any loss claimed on Schedule E, line 36.
- 3) Any royalty loss included on Schedule E, line 26.
- 4) Three-fourths of **each** of the following losses.
 - a) Any loss on Form 1040, line 12.
 - b) Any loss on Form 1040, line 18.
 - c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule.
- 5) Any loss from the rental of personal property not used in a trade or business (the amount by which the expenses for the rental deducted as an adjustment to line 32, Form 1040, are more than the income from the rental included on line 21, Form 1040).
- 6) Any tax-exempt interest.
- 7) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it

was a trustee-to-trustee transfer or a rollover distribution.

If you have a loss described in 4(a), (b), or (c) and you have more than one business, see *More than one business* under rule B-1 on page 10 for more information about figuring your modified AGI. If you converted part or all of a traditional IRA to a Roth IRA, see rule B-1 for more information about figuring your modified AGI.

C-2. Age

You must be at least age 25 but under age 65 at the end of 1998. If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65 at the end of 1998. It does not matter which spouse meets the age rule, as long as one of the spouses does.

Example 1. You are age 28 and unmarried. You meet this rule.

Example 2. You are married and will file a joint return. You are age 23 and your spouse is age 27. You meet this rule because your spouse is at least age 25 but under age 65.

Example 3. You are married and will file a joint return. You are age 62 and your spouse is 66. You meet this rule because you are at least age 25 but under age 65.



If you (and your spouse if filing a joint return) are under age 25 or are age 65 or older, enter “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).

C-3. Dependent of Another Person

You must be able to claim an exemption for yourself (and your spouse if filing a joint return) on your tax return. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return, you cannot claim the earned income credit. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return but does not, you still cannot claim the credit.

Example 1. You are age 25, single, and living at home with your parents. You work and are not a student. You earned \$7,500. Your parents cannot claim you as a dependent. When you file your return, you claim an exemption for yourself. Therefore, you meet this rule.

Example 2. You are age 25, single, and living at home with your parents. You work and earned \$2,000. Your parents can claim you as a dependent but decide not to. You cannot claim the credit because your parents could have claimed you as a dependent.

Example 3. You file as head of household. Your mother is your dependent. You maintain your own home. You worked and earned \$8,500. No one can claim you as a dependent. You claim an exemption for yourself when you file your return. You meet this rule.

C-4. Main Home

Your main home (and your spouse's if filing a joint return) must be in the United States for more than half the year. Your main home can be **any location** where you regularly live. For example, a homeless individual who lives in a shelter in the United States meets this rule.

U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for the earned income credit. See *Military personnel stationed outside the United States* on page 11 for a definition of "extended active duty."



If your home (or your spouse's home if filing a joint return) was not in the United States for more than half of 1998, enter "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).

Part D. Figuring the Earned Income Credit

Use this Part D if you qualify for the earned income credit. You qualify if you have met all the rules in Parts A and B, or all the rules in Parts A and C.

This part of the publication explains how to figure the amount of your credit. You have two choices.

- 1) Have the IRS figure the credit for you. If you want to do this, see *IRS Will Figure the Credit for You*.
- 2) Figure the credit yourself. If you want to do this, see *How To Figure the Credit Yourself*.

Qualifying child information (Schedule EIC). Whether the IRS figures your credit or you figure it yourself, you must give the IRS information about your qualifying child. To do this, complete Schedule EIC and attach it to your Form 1040 or Form 1040A.

The information you enter on Schedule EIC must show that the child meets all the tests for a qualifying child. (See rule B-2 on page 10.) The schedule has space for information about only two qualifying children because the amount of your credit is the same whether you have two, three, or more qualifying children.



Do not file Form 1040EZ if you have a qualifying child and qualify for the credit. You must file Form 1040 or Form 1040A.

IRS Will Figure the Credit for You

The IRS will figure the amount of your earned income credit for you if you follow the steps explained in this section of Part D.



Please do not follow these steps unless you qualify for the earned income credit. Read the rules in Parts A, B, and C to see if you qualify.



If you want the IRS to also figure the amount of your income tax, see Publication 967, The IRS Will Figure Your Tax.

Form 1040

If you file Form 1040 and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** directly to the right of line 59a. Also, if you have any earned income that is not taxed, enter the amount and type of that income on line 59b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you (including line 54), but do not fill in line 64, 65, or 68. If you do not have a qualifying child, stop here.
- 3) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

Form 1040A

If you file Form 1040A and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** directly to the right of line 37a. Also, if you have earned income that is not taxed, enter the amount and type of income on line 37b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you (including line 33), but do not fill in line 39, 40, or 43. If you do not have a qualifying child, stop here.
- 3) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

Form 1040EZ

If you file Form 1040EZ and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** in the space to the right of the word "below" on line 8b. Also, if you have earned income that is not taxed, enter the amount and type in the spaces marked "Type" and "\$" on line 8b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you, but do not fill in lines 9, 11a, or 12.

Special Instructions

Use the following special instructions, if the situation applies to you.

Minister or member of a religious order. If you file Schedule SE and line 2 of that schedule includes an amount that is also included on Form 1040, line 7, print "Clergy" directly to the right of line 59a, Form 1040. Also show the amount included on both lines (for example, "Clergy \$800"). If you received a housing allowance or were provided housing and you were required to include the allowance or the rental value of the parsonage on Schedule SE, line 2, do not include it as nontaxable earned income on line 59b of Form 1040.

Household employee. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, print "HSH" and the amount paid that was not reported on Form W-2 in the space to the right of the words "W-2 form(s)" on line 1 (Form 1040EZ), or on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A). Also, be sure to include that amount in the total for line 1 of Form 1040EZ or line 7 of either Form 1040 or Form 1040A.

Inmates. If you were an inmate in a penal institution and the total on line 1 (Form 1040EZ) or line 7 (Form 1040 or Form 1040A) includes an amount paid for your work in the institution, print "PRI" and the amount paid in the space to the right of the words "W-2 form(s)" on line 1 (Form 1040EZ), or on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A).

How To Figure the Credit Yourself

To figure the amount of your earned income credit, you must use the Earned Income Credit Worksheet (EIC Worksheet) in the instruction booklet for Form 1040, Form 1040A, or Form 1040EZ, and the Earned Income Credit (EIC) Table in either the instruction booklet or this publication (on pages 22, 23, and 24). This section of Part D explains how to use the EIC Worksheet and how to report the credit on your return.

The amount of your earned income credit depends on:

- Whether you have no qualifying child, one qualifying child, or two or more qualifying children,
- The amount of your earned income (defined in rule A-1 on page 3) and modified AGI (defined in rule B-1 on page 10 and rule C-1 on page 13), and
- Whether you owe alternative minimum tax.

Alternative minimum tax (AMT). The tax laws give special treatment to some kinds of income and expenses. This special treatment could substantially reduce or eliminate an individual's income tax. So that taxpayers who benefit from these laws will pay at least a minimum amount of tax, there is a special tax called the AMT.



You must reduce your earned income credit by the amount of any AMT you owe for the tax year.

You may owe the AMT if you file Form 1040 or Form 1040A and your taxable income for regular tax purposes, combined with any of the adjustments and preference items that apply to you, totals more than:

- **\$45,000** if you are married filing a joint return (or a qualifying widow(er) with a dependent child), or
- **\$33,750** if your filing status is head of household or single.

See the instructions for line 51 (Form 1040) or line 34 (Form 1040A) for more information.

Form 1040 and EIC Worksheet

If you file Form 1040 and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 59a and 59b** and look for the **Earned Income Credit Worksheet—Line 59a**.
- 2) Complete the EIC Worksheet according to its instructions. If you were self-employed or used Schedule C or C-EZ as a statutory employee, complete the separate worksheet in the Form 1040 instructions booklet for line 5 of the EIC Worksheet. Find the amount of your credit in the EIC Table in your instruction booklet (or beginning on page 22 of this publication).
- 3) Enter the amount of your earned income credit from line 10 of the EIC Worksheet on Form 1040, line 59a. But if you owe the alternative minimum tax (Form 1040, line 51), subtract it from the amount on line 10 of the EIC Worksheet and enter the result (if more than zero) on Form 1040, line 59a. Then replace the amount on line 10 of the EIC Worksheet with the amount entered on Form 1040, line 59a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040, line 59b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return. If you do not have a qualifying child, stop here.
- 6) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

Form 1040A and EIC Worksheet

If you file Form 1040A and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 37a and 37b** and look for the **Earned Income Credit Worksheet—Line 37a**.
- 2) Complete the EIC Worksheet according to its instructions. Find the amount of your credit in the

EIC Table in your instruction booklet (or beginning on page 22 of this publication).

- 3) Enter the amount of your earned income credit from line 9 of the EIC Worksheet on Form 1040A, line 37a. But if you owe the alternative minimum tax (Form 1040A, line 34), subtract it from the amount on line 9 of the EIC Worksheet and enter the result (if more than zero) on Form 1040A, line 37a. Then replace the amount on line 9 of the EIC Worksheet with the amount entered on Form 1040A, line 37a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040A, line 37b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return. If you do not have a qualifying child, stop here.
- 6) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

Form 1040EZ and EIC Worksheet

If you file Form 1040EZ and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 8a and 8b** and look for the **Earned Income Credit Worksheet—Line 8a**.
- 2) Complete the EIC Worksheet according to its instructions. Find the amount of your credit in the EIC Table in your form instruction booklet (or beginning on page 22 of this publication).
- 3) Enter the amount of your earned income credit from line 9 of the EIC Worksheet on Form 1040EZ, line 8a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040EZ, line 8b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return.

Comprehensive Examples

The next few pages contain three comprehensive examples (with a filled-in Schedule EIC and EIC Worksheets) that may be helpful when you claim the earned income credit. The three examples are:

- 1) David and Judy Brown, who have three qualifying children and use Form 1040 (on page 16),
- 2) Sharon Rose, age 63, who has no qualifying child and uses Form 1040EZ (on page 17), and

- 3) Kelly Green, age 30, who is a full-time student, has no qualifying child, and uses Form 1040EZ (on page 18).

Example 1. David and Judy Brown (Form 1040)

David and Judy Brown have three children—Karl, age 4, and twins Trisha and Mary, age 2. The children lived with David and Judy for all of 1998. David worked and earned \$17,200. He had his employer contribute \$1,200 of his pay to a 401(k) plan, so he had to pay tax on only \$16,000 (\$17,200 – \$1,200). He also received \$1,500 in unemployment compensation. Judy made crafts and sold them at a flea market. Her net earnings from self-employment were \$350. In addition, they earned \$50 interest from a savings account.

Their taxable earned income is \$16,350 (\$16,000 + \$350). Their nontaxable earned income is \$1,200 (the amount contributed to the 401(k) plan). Their total earned income used for figuring their credit is \$17,550 (\$16,350 + \$1,200). Their modified AGI is \$17,900 (\$16,000 + \$350 + \$1,500 + \$50). David and Judy will file a joint return using Form 1040. They qualify for the earned income credit and complete Schedule EIC and the EIC Worksheet. The Browns will attach Schedule EIC to Form 1040 when they send their completed return to the IRS. They will keep the EIC Worksheet for their records.

They take the following steps to complete the EIC Worksheet and Schedule EIC.

Completing the EIC Worksheet. The Browns complete the EIC Worksheet to figure their earned income credit.

Line 1. They enter \$16,000 from Form 1040, line 7.

Line 2. The Browns leave this line blank because they did not have any taxable scholarship or fellowship grant income.

Line 3. They subtract line 2 from line 1 and enter \$16,000.

Line 4. They enter \$1,200 on line 4. This is the amount of the contribution to the 401(k) plan.

Line 5. Because Judy was self-employed, she completes the separate worksheet in the Form 1040 instruction booklet for line 5 of the EIC Worksheet (not shown). The Browns enter the amount from line 4 of that worksheet—\$350—on line 5.

Line 6. They add lines 3, 4, and 5 and enter \$17,550. This is their total earned income.

Line 7. To find the amount of their credit based on their earned income, the Browns go to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). They find their earned income of \$17,550 (from the EIC Worksheet, line 6) in the range of \$17,550 to \$17,600. They follow this line across to the column "Two children" and find \$2,637. They enter \$2,637 on line 7.

If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is—		And you have—		
		No Children	One Child	Two Children
At least	But less than	Your credit is		
17,400	17,450	0	1,446	2,668
17,450	17,500	0	1,438	2,658
17,500	17,550	0	1,430	2,647
17,550	17,600	0	1,422	2,637

Line 8. The Browns enter their modified AGI of \$17,900. This amount is the same as their AGI because the Browns did not have any of the types of income shown under *Modified AGI* on page 10.

Line 9. The Browns check the box for **No** and follow the instruction because their modified AGI of \$17,900 is more than \$12,300. They again go to the Earned Income Credit Table to find the amount of their credit based on their modified AGI. They find \$17,900 in the range of \$17,900 to \$17,950. They follow this line across to the column “Two children” and find \$2,563. They enter \$2,563 on line 9.

If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is—		And you have—		
		No Children	One Child	Two Children
At least	But less than	Your credit is		
17,900	17,950	0	1,366	2,563
17,950	18,000	0	1,358	2,552
18,000	18,050	0	1,350	2,542
18,050	18,100	0	1,342	2,531

Line 10. Because they checked **No** on line 9, they compare the amounts on line 7 (\$2,637) and line 9 (\$2,563). They enter the smaller amount on line 10 and also on Form 1040, line 59a. The Browns' earned income credit is \$2,563.

Completing schedule EIC. The Browns complete Schedule EIC because they have qualifying children. They enter “David and Judy Brown” and David's SSN (the SSN that appears first on their Form 1040) on the line at the top of Schedule EIC. They fill out lines 1–6.

Line 1. The Browns enter only Karl's and Trisha's names. They do not enter Mary's name. However, Mary is still their qualifying child even though her name is not on Schedule EIC.

Line 2. The Browns enter the year of birth for Karl (1994) in the column “Child 1” and for Trisha (1996) in the column “Child 2.”

Lines 3a and 3b. The Browns skip these lines because the children were not born before 1980.

Line 4. The Browns enter Karl's and Trisha's SSNs.

Line 5. The Browns enter “son” for Karl and “daughter” for Trisha. This line shows the relationship of the children to the Browns.

Line 6. The Browns enter “12” for Karl and “12” for Trisha. This line shows how many months in 1998 the children lived with them.

Example 2. Sharon Rose (Form 1040EZ)

Sharon Rose is age 63 and retired. She received \$7,000 of social security during the year. She earned \$4,850 from a part-time job. She had no other income. Sharon lived in the United States for the entire year and cannot be claimed as a dependent on anyone else's return. Her children are grown and support themselves.

Sharon's total earned income and modified AGI are both \$4,850. Her social security (\$7,000) is not earned income and is not taxable. (Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, has information about the taxability of social security benefits.) Sharon qualifies for the earned income credit.

Sharon does not have to file a tax return. However, to get the earned income credit, she must file a return. Sharon will file Form 1040EZ and complete the EIC Worksheet.

Completing the EIC Worksheet. Sharon completes the EIC Worksheet to figure her earned income credit.

Line 1. She enters \$4,850 from Form 1040EZ, line 1.

Line 2. Sharon leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

Line 3. She subtracts line 2 from line 1 and enters \$4,850.

Line 4. Sharon leaves this line blank because she does not have any nontaxable earned income.

Line 5. She adds lines 3 and 4 and enters \$4,850. This is her total earned income.

Line 6. To find her credit, Sharon goes to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). She finds her earned income of \$4,850 (from EIC Worksheet, line 5) in the range of \$4,850 to \$4,900. Sharon follows this line across to the column “No children” and finds \$341. She enters \$341 on line 6.

Line 7. She enters \$4,850 from Form 1040EZ, line 4.

Line 8. Sharon checks the box for **No** because her modified AGI of \$4,850 is less than \$5,600.

Line 9. Because Sharon checked the **No** box on line 8, she enters \$341 from line 6 here and on Form 1040EZ, line 8a. The \$341 is Sharon's earned income credit.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you have—		
		No Children	One Child	Two Children
At least	But less than	Your credit is		
4,800	4,850	341	1,641	1,930
4,850	4,900	341	1,658	1,950
4,900	4,950	341	1,675	1,970
4,950	5,000	341	1,692	1,990

Example 3. Kelly Green (Form 1040EZ)

Kelly Green is age 30 and a full-time student. She lived with her parents in the United States for all of 1998. She had a part-time job and earned \$6,040. She earned \$20 interest on a savings account. She is not eligible to be claimed as a dependent on her parents' return. Although she lived with her parents, she is not their qualifying child because she does not meet the age test. She does not have any children.

Kelly qualifies for the earned income credit. Kelly will file Form 1040EZ and complete the EIC Worksheet.

Completing the EIC Worksheet. Kelly completes the EIC Worksheet to figure her earned income credit.

Line 1. She enters \$6,040 from Form 1040EZ, line 1.

Line 2. Kelly leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

Line 3. Kelly subtracts line 2 from line 1 and enters \$6,040.

Line 4. Kelly leaves this line blank because all her income is taxable.

Line 5. She adds lines 3 and 4 and enters \$6,040. This is her total earned income.

Line 6. To find her credit, Kelly goes to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). She finds her earned income of \$6,040 (from the EIC Worksheet, line 5) in the range of \$6,000

to \$6,050. Kelly follows this line across to the column "No children" and finds \$306. She enters \$306 on line 6.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you have—		
		No Children	One Child	Two Children
At least	But less than	Your credit is		
6,000	6,050	306	2,049	2,410
6,050	6,100	303	2,066	2,430
6,100	6,150	299	2,083	2,450
6,150	6,200	295	2,100	2,470

Line 7. She enters \$6,060 from Form 1040EZ, line 4.

Line 8. Kelly checks the box for **Yes** and follows the instruction because her modified AGI of \$6,060 is more than \$5,600. Kelly again goes to the Earned Income Credit Table to find the amount of the credit based on her modified AGI. She finds \$6,060 in the range of \$6,050 to \$6,100. Kelly follows this line across to the column "No children" and finds \$303. Kelly enters \$303 on line 8.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you have—		
		No Children	One Child	Two Children
At least	But less than	Your credit is		
6,000	6,050	306	2,049	2,410
6,050	6,100	303	2,066	2,430
6,100	6,150	299	2,083	2,450
6,150	6,200	295	2,100	2,470

Line 9. Because Kelly checked the **Yes** box on line 8, she enters the smaller of \$306 (line 6) or \$303 (line 8). She enters \$303 here and on Form 1040EZ, line 8a. \$303 is Kelly's earned income credit.

(Page references on Worksheet are to Form 1040 instructions)

Earned Income Credit Worksheet—Line 59a
(keep for your records)



Before you begin, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998 or you were a minister or member of a religious order, see **Special Rules** on page 39 before completing this worksheet. Also, see Special Rules if Form 1040, line 7, includes workfare payments or any amount paid to an inmate in a penal institution.

Caution: Be sure to include all your income on lines 1, 2, 4, 5, and 8 below. An incorrect amount may increase your tax or reduce your refund.

1. Enter the amount from Form 1040, line 7	1.	16,000
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here	2.	
3. Subtract line 2 from line 1.	3.	16,000
4. Enter any nontaxable earned income (see the next page). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form	4.	1,200
5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on the next page	5.	350
6. Add lines 3, 4, and 5	6.	17,550
7. Look up the amount on line 6 above in the EIC Table on pages 40-42 to find your credit. Enter the credit here	7.	2,637
If line 7 is zero, stop . You cannot take the credit. Enter "No" directly to the right of Form 1040, line 59a.		
8. Enter your modified AGI (see this page)	8.	17,900
9. Is line 8 less than—		
• \$5,600 if you do not have a qualifying child?		
• \$12,300 if you have at least one qualifying child?		
<input type="checkbox"/> Yes . Go to line 10 now.		
<input checked="" type="checkbox"/> No . Look up the amount on line 8 above in the EIC Table on pages 40-42 to find your credit. Enter the credit here		
	9.	2,563
10. Earned income credit.		
• If you checked "Yes" on line 9, enter the amount from line 7.		
• If you checked "No" on line 9, enter the smaller of line 7 or line 9		
	10.	2,563

Next: Take the amount from line 10 above and enter it on Form 1040, line 59a.

AND
If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on line 59b.

AND
Complete **Schedule EIC** and attach it to your return **ONLY** if you have a qualifying child.

Note: If you owe the alternative minimum tax (Form 1040, line 51), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 59a. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 59a.

SCHEDULE EIC
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

David and Judy

Earned Income Credit
(Qualifying Child Information)

▶ Attach to Form 1040A or 1040.

▶ See instructions on back.

OMB No. 1545-0074

1998

Attachment Sequence No. **43**

Your social security number

3 3 3 : 0 0 : 3 3 3 3

Before you begin

- See the instructions for Form 1040A, lines 37a and 37b, or Form 1040, lines 59a and 59b, to find out if you can take this credit.
- If you can take the credit, fill in the Earned Income Credit Worksheet in the Form 1040A or Form 1040 instructions to figure your credit. **But if you want the IRS to figure it for you, see instructions on back.**

Then, you must complete and attach Schedule EIC only if you have a qualifying child (see boxes on back).

Information About Your Qualifying Child or Children

If you have more than two qualifying children, you only have to list two to get the maximum credit.

Caution: If you do not attach Schedule EIC and fill in all the lines that apply, it will take us longer to process your return and issue your refund.

	Child 1		Child 2	
	First name	Last name	First name	Last name
1 Child's name	Karl	Brown	Trisha	Brown
2 Child's year of birth	19 <u>9</u> <u>4</u>		19 <u>9</u> <u>6</u>	
3 If the child was born before 1980 AND—				
a was under age 24 at the end of 1998 and a student, check "Yes," OR	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
b was permanently and totally disabled (see back), check "Yes"	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
4 Enter the child's social security number	0 0 0 : 0 0 : 1 2 3 4		0 0 0 : 0 0 : 4 3 2 1	
5 Child's relationship to you (for example, son, grandchild, etc.)	Son		Daughter	
6 Number of months child lived with you in the United States in 1998	1 2 months		1 2 months	

TIP: Do you want the earned income credit added to your take-home pay in 1999? To see if you qualify, get Form W-5 from your employer or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

Sharon Rose -- EIC Worksheet
(Page references are to Form 1040EZ instructions)

Earned Income Credit Worksheet—Line 8a (keep for your records)



Before you begin, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 **1.** 4,850
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here **2.** _____
- 3. Subtract line 2 from line 1 **3.** 4,850
- 4. Enter any **nontaxable earned income** (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form. **4.** _____
- 5. Add lines 3 and 4 **5.** 4,850

Caution: If line 5 is \$10,030 or more, you **cannot** take the credit. Print "No" to the right of the word "below" on line 8b of Form 1040EZ.

- 6. Look up the amount on **line 5** above in the **EIC Table** on page 12 to find your credit. Enter the credit here **6.** 341
- 7. Enter the total of the amount from Form 1040EZ, line 4 plus any tax-exempt interest entered to the right of the words "Form 1040EZ" on line 2 **7.** 4,850

8. Is line 7 \$5,600 or more?

Yes. Look up the amount on **line 7** above in the **EIC Table** on page 12 to find your credit. Enter the credit here **8.** _____

No. Go to line 9.

9. Earned income credit.

- If you checked "Yes" on line 8, enter the **smaller** of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 **9.** 341

Next: Take the amount from line 9 above and enter it on Form 1040EZ, line 8a.

AND

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" on line 8b.

Kelly Green -- EIC Worksheet
(Page references are to Form 1040EZ instructions)

Earned Income Credit Worksheet—Line 8a (keep for your records)



Before you begin, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 1. 6,040
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here 2. _____
- 3. Subtract line 2 from line 1 3. 6,040
- 4. Enter any **nontaxable earned income** (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form. 4. _____
- 5. Add lines 3 and 4 5. 6,040

Caution: If line 5 is \$9,770 or more, you **cannot** take the credit. Print "No" to the right of the word "below" on line 8b of Form 1040EZ.

- 6. Look up the amount on **line 5** above in the **EIC Table** on page 12 to find your credit. Enter the credit here 6. 306
- 7. Enter the total of the amount from Form 1040EZ, line 4 plus any tax-exempt interest entered to the right of the words "Form 1040EZ" on line 2 7. 6,060

8. Is line 7 \$5,600 or more?

Yes. Look up the amount on **line 7** above in the **EIC Table** on page 12 to find your credit. Enter the credit here 8. 303

No. Go to line 9.

9. Earned income credit.

- If you checked "Yes" on line 8, enter the **smaller** of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 9. 303

Next: Take the amount from line 9 above and enter it on Form 1040EZ, line 8a.

AND

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" on line 8b.

1998 Earned Income Credit (EIC) Table

To find your credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the **Earned Income Credit Worksheet** on page 38. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

Caution: This is *not* a tax table.

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—							
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children					
Your credit is—		Your credit is—			Your credit is—		Your credit is—			Your credit is—		Your credit is—							
\$1	\$50	\$2	\$9	\$10	2,400	2,450	186	825	970	4,800	4,850	341	1,641	1,930	7,200	7,250	215	2,271	2,890
50	100	6	26	30	2,450	2,500	189	842	990	4,850	4,900	341	1,658	1,950	7,250	7,300	211	2,271	2,910
100	150	10	43	50	2,500	2,550	193	859	1,010	4,900	4,950	341	1,675	1,970	7,300	7,350	207	2,271	2,930
150	200	13	60	70	2,550	2,600	197	876	1,030	4,950	5,000	341	1,692	1,990	7,350	7,400	203	2,271	2,950
200	250	17	77	90	2,600	2,650	201	893	1,050	5,000	5,050	341	1,709	2,010	7,400	7,450	199	2,271	2,970
250	300	21	94	110	2,650	2,700	205	910	1,070	5,050	5,100	341	1,726	2,030	7,450	7,500	195	2,271	2,990
300	350	25	111	130	2,700	2,750	208	927	1,090	5,100	5,150	341	1,743	2,050	7,500	7,550	192	2,271	3,010
350	400	29	128	150	2,750	2,800	212	944	1,110	5,150	5,200	341	1,760	2,070	7,550	7,600	188	2,271	3,030
400	450	33	145	170	2,800	2,850	216	961	1,130	5,200	5,250	341	1,777	2,090	7,600	7,650	184	2,271	3,050
450	500	36	162	190	2,850	2,900	220	978	1,150	5,250	5,300	341	1,794	2,110	7,650	7,700	180	2,271	3,070
500	550	40	179	210	2,900	2,950	224	995	1,170	5,300	5,350	341	1,811	2,130	7,700	7,750	176	2,271	3,090
550	600	44	196	230	2,950	3,000	228	1,012	1,190	5,350	5,400	341	1,828	2,150	7,750	7,800	173	2,271	3,110
600	650	48	213	250	3,000	3,050	231	1,029	1,210	5,400	5,450	341	1,845	2,170	7,800	7,850	169	2,271	3,130
650	700	52	230	270	3,050	3,100	235	1,046	1,230	5,450	5,500	341	1,862	2,190	7,850	7,900	165	2,271	3,150
700	750	55	247	290	3,100	3,150	239	1,063	1,250	5,500	5,550	341	1,879	2,210	7,900	7,950	161	2,271	3,170
750	800	59	264	310	3,150	3,200	243	1,080	1,270	5,550	5,600	341	1,896	2,230	7,950	8,000	157	2,271	3,190
800	850	63	281	330	3,200	3,250	247	1,097	1,290	5,600	5,650	337	1,913	2,250	8,000	8,050	153	2,271	3,210
850	900	67	298	350	3,250	3,300	251	1,114	1,310	5,650	5,700	333	1,930	2,270	8,050	8,100	150	2,271	3,230
900	950	71	315	370	3,300	3,350	254	1,131	1,330	5,700	5,750	329	1,947	2,290	8,100	8,150	146	2,271	3,250
950	1,000	75	332	390	3,350	3,400	258	1,148	1,350	5,750	5,800	326	1,964	2,310	8,150	8,200	142	2,271	3,270
1,000	1,050	78	349	410	3,400	3,450	262	1,165	1,370	5,800	5,850	322	1,981	2,330	8,200	8,250	138	2,271	3,290
1,050	1,100	82	366	430	3,450	3,500	266	1,182	1,390	5,850	5,900	318	1,998	2,350	8,250	8,300	134	2,271	3,310
1,100	1,150	86	383	450	3,500	3,550	270	1,199	1,410	5,900	5,950	314	2,015	2,370	8,300	8,350	130	2,271	3,330
1,150	1,200	90	400	470	3,550	3,600	273	1,216	1,430	5,950	6,000	310	2,032	2,390	8,350	8,400	127	2,271	3,350
1,200	1,250	94	417	490	3,600	3,650	277	1,233	1,450	6,000	6,050	306	2,049	2,410	8,400	8,450	123	2,271	3,370
1,250	1,300	98	434	510	3,650	3,700	281	1,250	1,470	6,050	6,100	303	2,066	2,430	8,450	8,500	119	2,271	3,390
1,300	1,350	101	451	530	3,700	3,750	285	1,267	1,490	6,100	6,150	299	2,083	2,450	8,500	8,550	115	2,271	3,410
1,350	1,400	105	468	550	3,750	3,800	289	1,284	1,510	6,150	6,200	295	2,100	2,470	8,550	8,600	111	2,271	3,430
1,400	1,450	109	485	570	3,800	3,850	293	1,301	1,530	6,200	6,250	291	2,117	2,490	8,600	8,650	107	2,271	3,450
1,450	1,500	113	502	590	3,850	3,900	296	1,318	1,550	6,250	6,300	287	2,134	2,510	8,650	8,700	104	2,271	3,470
1,500	1,550	117	519	610	3,900	3,950	300	1,335	1,570	6,300	6,350	283	2,151	2,530	8,700	8,750	100	2,271	3,490
1,550	1,600	120	536	630	3,950	4,000	304	1,352	1,590	6,350	6,400	280	2,168	2,550	8,750	8,800	96	2,271	3,510
1,600	1,650	124	553	650	4,000	4,050	308	1,369	1,610	6,400	6,450	276	2,185	2,570	8,800	8,850	92	2,271	3,530
1,650	1,700	128	570	670	4,050	4,100	312	1,386	1,630	6,450	6,500	272	2,202	2,590	8,850	8,900	88	2,271	3,550
1,700	1,750	132	587	690	4,100	4,150	316	1,403	1,650	6,500	6,550	268	2,219	2,610	8,900	8,950	85	2,271	3,570
1,750	1,800	136	604	710	4,150	4,200	319	1,420	1,670	6,550	6,600	264	2,236	2,630	8,950	9,000	81	2,271	3,590
1,800	1,850	140	621	730	4,200	4,250	323	1,437	1,690	6,600	6,650	260	2,253	2,650	9,000	9,050	77	2,271	3,610
1,850	1,900	143	638	750	4,250	4,300	327	1,454	1,710	6,650	6,700	257	2,271	2,670	9,050	9,100	73	2,271	3,630
1,900	1,950	147	655	770	4,300	4,350	331	1,471	1,730	6,700	6,750	253	2,271	2,690	9,100	9,150	69	2,271	3,650
1,950	2,000	151	672	790	4,350	4,400	335	1,488	1,750	6,750	6,800	249	2,271	2,710	9,150	9,200	65	2,271	3,670
2,000	2,050	155	689	810	4,400	4,450	339	1,505	1,770	6,800	6,850	245	2,271	2,730	9,200	9,250	62	2,271	3,690
2,050	2,100	159	706	830	4,450	4,500	341	1,522	1,790	6,850	6,900	241	2,271	2,750	9,250	9,300	58	2,271	3,710
2,100	2,150	163	723	850	4,500	4,550	341	1,539	1,810	6,900	6,950	238	2,271	2,770	9,300	9,350	54	2,271	3,730
2,150	2,200	166	740	870	4,550	4,600	341	1,556	1,830	6,950	7,000	234	2,271	2,790	9,350	9,400	50	2,271	3,756
2,200	2,250	170	757	890	4,600	4,650	341	1,573	1,850	7,000	7,050	230	2,271	2,810	9,400	9,450	46	2,271	3,756
2,250	2,300	174	774	910	4,650	4,700	341	1,590	1,870	7,050	7,100	226	2,271	2,830	9,450	9,500	42	2,271	3,756
2,300	2,350	178	791	930	4,700	4,750	341	1,607	1,890	7,100	7,150	222	2,271	2,850	9,500	9,550	39	2,271	3,756
2,350	2,400	182	808	950	4,750	4,800	341	1,624	1,910	7,150	7,200	218	2,271	2,870	9,550	9,600	35	2,271	3,756

(Continued)

1998 Earned Income Credit (EIC) Table *Continued* (Caution: *This is not a tax table.*)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—							
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children					
9,600	9,650	31	2,271	3,756	12,400	12,450	0	2,245	3,721	15,200	15,250	0	1,797	3,132	18,000	18,050	0	1,350	2,542
9,650	9,700	27	2,271	3,756	12,450	12,500	0	2,237	3,711	15,250	15,300	0	1,789	3,121	18,050	18,100	0	1,342	2,531
9,700	9,750	23	2,271	3,756	12,500	12,550	0	2,229	3,700	15,300	15,350	0	1,781	3,111	18,100	18,150	0	1,334	2,521
9,750	9,800	20	2,271	3,756	12,550	12,600	0	2,221	3,690	15,350	15,400	0	1,773	3,100	18,150	18,200	0	1,326	2,510
9,800	9,850	16	2,271	3,756	12,600	12,650	0	2,213	3,679	15,400	15,450	0	1,765	3,089	18,200	18,250	0	1,318	2,500
9,850	9,900	12	2,271	3,756	12,650	12,700	0	2,205	3,669	15,450	15,500	0	1,757	3,079	18,250	18,300	0	1,310	2,489
9,900	9,950	8	2,271	3,756	12,700	12,750	0	2,197	3,658	15,500	15,550	0	1,749	3,068	18,300	18,350	0	1,302	2,479
9,950	10,000	4	2,271	3,756	12,750	12,800	0	2,189	3,648	15,550	15,600	0	1,741	3,058	18,350	18,400	0	1,294	2,468
10,000	10,050	*	2,271	3,756	12,800	12,850	0	2,181	3,637	15,600	15,650	0	1,733	3,047	18,400	18,450	0	1,286	2,458
10,050	10,100	0	2,271	3,756	12,850	12,900	0	2,173	3,626	15,650	15,700	0	1,725	3,037	18,450	18,500	0	1,278	2,447
10,100	10,150	0	2,271	3,756	12,900	12,950	0	2,165	3,616	15,700	15,750	0	1,717	3,026	18,500	18,550	0	1,270	2,437
10,150	10,200	0	2,271	3,756	12,950	13,000	0	2,157	3,605	15,750	15,800	0	1,710	3,016	18,550	18,600	0	1,262	2,426
10,200	10,250	0	2,271	3,756	13,000	13,050	0	2,149	3,595	15,800	15,850	0	1,702	3,005	18,600	18,650	0	1,254	2,416
10,250	10,300	0	2,271	3,756	13,050	13,100	0	2,141	3,584	15,850	15,900	0	1,694	2,995	18,650	18,700	0	1,246	2,405
10,300	10,350	0	2,271	3,756	13,100	13,150	0	2,133	3,574	15,900	15,950	0	1,686	2,984	18,700	18,750	0	1,238	2,394
10,350	10,400	0	2,271	3,756	13,150	13,200	0	2,125	3,563	15,950	16,000	0	1,678	2,974	18,750	18,800	0	1,230	2,384
10,400	10,450	0	2,271	3,756	13,200	13,250	0	2,117	3,553	16,000	16,050	0	1,670	2,963	18,800	18,850	0	1,222	2,373
10,450	10,500	0	2,271	3,756	13,250	13,300	0	2,109	3,542	16,050	16,100	0	1,662	2,953	18,850	18,900	0	1,214	2,363
10,500	10,550	0	2,271	3,756	13,300	13,350	0	2,101	3,532	16,100	16,150	0	1,654	2,942	18,900	18,950	0	1,206	2,352
10,550	10,600	0	2,271	3,756	13,350	13,400	0	2,093	3,521	16,150	16,200	0	1,646	2,932	18,950	19,000	0	1,198	2,342
10,600	10,650	0	2,271	3,756	13,400	13,450	0	2,085	3,511	16,200	16,250	0	1,638	2,921	19,000	19,050	0	1,190	2,331
10,650	10,700	0	2,271	3,756	13,450	13,500	0	2,077	3,500	16,250	16,300	0	1,630	2,910	19,050	19,100	0	1,182	2,321
10,700	10,750	0	2,271	3,756	13,500	13,550	0	2,069	3,490	16,300	16,350	0	1,622	2,900	19,100	19,150	0	1,174	2,310
10,750	10,800	0	2,271	3,756	13,550	13,600	0	2,061	3,479	16,350	16,400	0	1,614	2,889	19,150	19,200	0	1,166	2,300
10,800	10,850	0	2,271	3,756	13,600	13,650	0	2,053	3,469	16,400	16,450	0	1,606	2,879	19,200	19,250	0	1,158	2,289
10,850	10,900	0	2,271	3,756	13,650	13,700	0	2,045	3,458	16,450	16,500	0	1,598	2,868	19,250	19,300	0	1,150	2,279
10,900	10,950	0	2,271	3,756	13,700	13,750	0	2,037	3,447	16,500	16,550	0	1,590	2,858	19,300	19,350	0	1,142	2,268
10,950	11,000	0	2,271	3,756	13,750	13,800	0	2,029	3,437	16,550	16,600	0	1,582	2,847	19,350	19,400	0	1,134	2,258
11,000	11,050	0	2,271	3,756	13,800	13,850	0	2,021	3,426	16,600	16,650	0	1,574	2,837	19,400	19,450	0	1,126	2,247
11,050	11,100	0	2,271	3,756	13,850	13,900	0	2,013	3,416	16,650	16,700	0	1,566	2,826	19,450	19,500	0	1,118	2,237
11,100	11,150	0	2,271	3,756	13,900	13,950	0	2,005	3,405	16,700	16,750	0	1,558	2,816	19,500	19,550	0	1,110	2,226
11,150	11,200	0	2,271	3,756	13,950	14,000	0	1,997	3,395	16,750	16,800	0	1,550	2,805	19,550	19,600	0	1,102	2,215
11,200	11,250	0	2,271	3,756	14,000	14,050	0	1,989	3,384	16,800	16,850	0	1,542	2,795	19,600	19,650	0	1,094	2,205
11,250	11,300	0	2,271	3,756	14,050	14,100	0	1,981	3,374	16,850	16,900	0	1,534	2,784	19,650	19,700	0	1,086	2,194
11,300	11,350	0	2,271	3,756	14,100	14,150	0	1,973	3,363	16,900	16,950	0	1,526	2,774	19,700	19,750	0	1,078	2,184
11,350	11,400	0	2,271	3,756	14,150	14,200	0	1,965	3,353	16,950	17,000	0	1,518	2,763	19,750	19,800	0	1,070	2,173
11,400	11,450	0	2,271	3,756	14,200	14,250	0	1,957	3,342	17,000	17,050	0	1,510	2,752	19,800	19,850	0	1,062	2,163
11,450	11,500	0	2,271	3,756	14,250	14,300	0	1,949	3,332	17,050	17,100	0	1,502	2,742	19,850	19,900	0	1,054	2,152
11,500	11,550	0	2,271	3,756	14,300	14,350	0	1,941	3,321	17,100	17,150	0	1,494	2,731	19,900	19,950	0	1,046	2,142
11,550	11,600	0	2,271	3,756	14,350	14,400	0	1,933	3,311	17,150	17,200	0	1,486	2,721	19,950	20,000	0	1,038	2,131
11,600	11,650	0	2,271	3,756	14,400	14,450	0	1,925	3,300	17,200	17,250	0	1,478	2,710	20,000	20,050	0	1,030	2,121
11,650	11,700	0	2,271	3,756	14,450	14,500	0	1,917	3,290	17,250	17,300	0	1,470	2,700	20,050	20,100	0	1,022	2,110
11,700	11,750	0	2,271	3,756	14,500	14,550	0	1,909	3,279	17,300	17,350	0	1,462	2,689	20,100	20,150	0	1,014	2,100
11,750	11,800	0	2,271	3,756	14,550	14,600	0	1,901	3,268	17,350	17,400	0	1,454	2,679	20,150	20,200	0	1,006	2,089
11,800	11,850	0	2,271	3,756	14,600	14,650	0	1,893	3,258	17,400	17,450	0	1,446	2,668	20,200	20,250	0	998	2,079
11,850	11,900	0	2,271	3,756	14,650	14,700	0	1,885	3,247	17,450	17,500	0	1,438	2,658	20,250	20,300	0	990	2,068
11,900	11,950	0	2,271	3,756	14,700	14,750	0	1,877	3,237	17,500	17,550	0	1,430	2,647	20,300	20,350	0	982	2,058
11,950	12,000	0	2,271	3,756	14,750	14,800	0	1,869	3,226	17,550	17,600	0	1,422	2,637	20,350	20,400	0	974	2,047
12,000	12,050	0	2,271	3,756	14,800	14,850	0	1,861	3,216	17,600	17,650	0	1,414	2,626	20,400	20,450	0	966	2,036
12,050	12,100	0	2,271	3,756	14,850	14,900	0	1,853	3,205	17,650	17,700	0	1,406	2,616	20,450	20,500	0	958	2,026
12,100	12,150	0	2,271	3,756	14,900	14,950	0	1,845	3,195	17,700	17,750	0	1,398	2,605	20,500	20,550	0	950	2,015
12,150	12,200	0	2,271	3,756	14,950	15,000	0	1,837	3,184	17,750	17,800	0	1,390	2,595	20,550	20,600	0	942	2,005
12,200	12,250	0	2,271	3,756	15,000	15,050	0	1,829	3,174	17,800	17,850	0	1,382	2,584	20,600	20,650	0	934	1,994
12,250	12,300	0	2,271	3,756	15,050	15,100	0	1,821	3,163	17,850	17,900	0	1,374	2,573	20,650	20,700	0	926	1,984
12,300	12,350	0	2,261	3,742	15,100	15,150	0	1,813	3,153	17,900	17,950	0	1,366	2,563	20,700	20,750	0	918	1,973
12,350	12,400	0	2,253	3,732	15,150	15,200	0	1,805	3,142	17,950	18,000	0	1,358	2,552	20,750	20,800	0	911	1,963

*If the amount on line 6 or line 8 of the worksheet is at least \$10,000 but less than \$10,030, your credit is \$1. Otherwise, you cannot take the credit. (Continued)

(Page references are to Form 1040 instructions)

1998 Earned Income Credit (EIC) Table *Continued* (Caution: This is *not* a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—							
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children					
		Your credit is—					Your credit is—					Your credit is—							
20,800	20,850	0	903	1,952	23,200	23,250	0	519	1,447	25,600	25,650	0	135	941	28,000	28,050	0	0	436
20,850	20,900	0	895	1,942	23,250	23,300	0	511	1,436	25,650	25,700	0	127	931	28,050	28,100	0	0	425
20,900	20,950	0	887	1,931	23,300	23,350	0	503	1,426	25,700	25,750	0	119	920	28,100	28,150	0	0	415
20,950	21,000	0	879	1,921	23,350	23,400	0	495	1,415	25,750	25,800	0	112	910	28,150	28,200	0	0	404
21,000	21,050	0	871	1,910	23,400	23,450	0	487	1,405	25,800	25,850	0	104	899	28,200	28,250	0	0	394
21,050	21,100	0	863	1,900	23,450	23,500	0	479	1,394	25,850	25,900	0	96	889	28,250	28,300	0	0	383
21,100	21,150	0	855	1,889	23,500	23,550	0	471	1,384	25,900	25,950	0	88	878	28,300	28,350	0	0	373
21,150	21,200	0	847	1,879	23,550	23,600	0	463	1,373	25,950	26,000	0	80	868	28,350	28,400	0	0	362
21,200	21,250	0	839	1,868	23,600	23,650	0	455	1,363	26,000	26,050	0	72	857	28,400	28,450	0	0	352
21,250	21,300	0	831	1,857	23,650	23,700	0	447	1,352	26,050	26,100	0	64	847	28,450	28,500	0	0	341
21,300	21,350	0	823	1,847	23,700	23,750	0	439	1,341	26,100	26,150	0	56	836	28,500	28,550	0	0	331
21,350	21,400	0	815	1,836	23,750	23,800	0	431	1,331	26,150	26,200	0	48	826	28,550	28,600	0	0	320
21,400	21,450	0	807	1,826	23,800	23,850	0	423	1,320	26,200	26,250	0	40	815	28,600	28,650	0	0	310
21,450	21,500	0	799	1,815	23,850	23,900	0	415	1,310	26,250	26,300	0	32	804	28,650	28,700	0	0	299
21,500	21,550	0	791	1,805	23,900	23,950	0	407	1,299	26,300	26,350	0	24	794	28,700	28,750	0	0	288
21,550	21,600	0	783	1,794	23,950	24,000	0	399	1,289	26,350	26,400	0	16	783	28,750	28,800	0	0	278
21,600	21,650	0	775	1,784	24,000	24,050	0	391	1,278	26,400	26,450	0	8	773	28,800	28,850	0	0	267
21,650	21,700	0	767	1,773	24,050	24,100	0	383	1,268	26,450	26,500	0	**	762	28,850	28,900	0	0	257
21,700	21,750	0	759	1,763	24,100	24,150	0	375	1,257	26,500	26,550	0	0	752	28,900	28,950	0	0	246
21,750	21,800	0	751	1,752	24,150	24,200	0	367	1,247	26,550	26,600	0	0	741	28,950	29,000	0	0	236
21,800	21,850	0	743	1,742	24,200	24,250	0	359	1,236	26,600	26,650	0	0	731	29,000	29,050	0	0	225
21,850	21,900	0	735	1,731	24,250	24,300	0	351	1,226	26,650	26,700	0	0	720	29,050	29,100	0	0	215
21,900	21,950	0	727	1,721	24,300	24,350	0	343	1,215	26,700	26,750	0	0	710	29,100	29,150	0	0	204
21,950	22,000	0	719	1,710	24,350	24,400	0	335	1,205	26,750	26,800	0	0	699	29,150	29,200	0	0	194
22,000	22,050	0	711	1,699	24,400	24,450	0	327	1,194	26,800	26,850	0	0	689	29,200	29,250	0	0	183
22,050	22,100	0	703	1,689	24,450	24,500	0	319	1,184	26,850	26,900	0	0	678	29,250	29,300	0	0	173
22,100	22,150	0	695	1,678	24,500	24,550	0	311	1,173	26,900	26,950	0	0	668	29,300	29,350	0	0	162
22,150	22,200	0	687	1,668	24,550	24,600	0	303	1,162	26,950	27,000	0	0	657	29,350	29,400	0	0	152
22,200	22,250	0	679	1,657	24,600	24,650	0	295	1,152	27,000	27,050	0	0	646	29,400	29,450	0	0	141
22,250	22,300	0	671	1,647	24,650	24,700	0	287	1,141	27,050	27,100	0	0	636	29,450	29,500	0	0	131
22,300	22,350	0	663	1,636	24,700	24,750	0	279	1,131	27,100	27,150	0	0	625	29,500	29,550	0	0	120
22,350	22,400	0	655	1,626	24,750	24,800	0	271	1,120	27,150	27,200	0	0	615	29,550	29,600	0	0	109
22,400	22,450	0	647	1,615	24,800	24,850	0	263	1,110	27,200	27,250	0	0	604	29,600	29,650	0	0	99
22,450	22,500	0	639	1,605	24,850	24,900	0	255	1,099	27,250	27,300	0	0	594	29,650	29,700	0	0	88
22,500	22,550	0	631	1,594	24,900	24,950	0	247	1,089	27,300	27,350	0	0	583	29,700	29,750	0	0	78
22,550	22,600	0	623	1,584	24,950	25,000	0	239	1,078	27,350	27,400	0	0	573	29,750	29,800	0	0	67
22,600	22,650	0	615	1,573	25,000	25,050	0	231	1,068	27,400	27,450	0	0	562	29,800	29,850	0	0	57
22,650	22,700	0	607	1,563	25,050	25,100	0	223	1,057	27,450	27,500	0	0	552	29,850	29,900	0	0	46
22,700	22,750	0	599	1,552	25,100	25,150	0	215	1,047	27,500	27,550	0	0	541	29,900	29,950	0	0	36
22,750	22,800	0	591	1,542	25,150	25,200	0	207	1,036	27,550	27,600	0	0	531	29,950	30,000	0	0	25
22,800	22,850	0	583	1,531	25,200	25,250	0	199	1,026	27,600	27,650	0	0	520	30,000	30,050	0	0	15
22,850	22,900	0	575	1,520	25,250	25,300	0	191	1,015	27,650	27,700	0	0	510	30,050	30,095	0	0	5
22,900	22,950	0	567	1,510	25,300	25,350	0	183	1,005	27,700	27,750	0	0	499	30,095 or more		0	0	0
22,950	23,000	0	559	1,499	25,350	25,400	0	175	994	27,750	27,800	0	0	489					
23,000	23,050	0	551	1,489	25,400	25,450	0	167	983	27,800	27,850	0	0	478					
23,050	23,100	0	543	1,478	25,450	25,500	0	159	973	27,850	27,900	0	0	467					
23,100	23,150	0	535	1,468	25,500	25,550	0	151	962	27,900	27,950	0	0	457					
23,150	23,200	0	527	1,457	25,550	25,600	0	143	952	27,950	28,000	0	0	446					

**If the amount on line 6 or line 8 of the worksheet is at least \$26,450 but less than \$26,473, your credit is \$2. Otherwise, you cannot take the credit.

Part E. Advance Earned Income Credit

Would you like to get part of your earned income credit now instead of waiting until after the end of the year? If you work for someone and expect to qualify for the earned income credit in 1999, you can choose to get part of the credit in advance. Give your employer a 1999 Form W-5, *Earned Income Credit Advance Payment Certificate*, and your employer will include part of the credit regularly in your pay. The advance payment is only available if you have at least one qualifying child.

You Can Get Part Of The Credit For One Child *IN ADVANCE* Regularly in Your Paycheck.

Fill Out— To Get:

W-5

\$ PAYCHECK +
PART OF CREDIT
IN ADVANCE

Who can get the advance payment of the earned income credit? To get part of the earned income credit paid to you throughout the year in your paycheck, you must meet all the following rules.

- 1) You must expect that your earned income and modified AGI will each be less than a certain amount. The amount in 1998 was \$26,473. The amount for 1999 will be higher. (See the 1999 Form W-5 for the 1999 amount.)
- 2) You must have a qualifying child.
- 3) You must expect to meet all the rules in Parts A and B of this publication or in the instructions for Form W-5.

Under certain circumstances, even if you meet these rules, you may not be entitled to get the advance payment of the credit. If your wages are not subject to federal income tax, social security tax, or Medicare tax withholding, you cannot get the advance payment of the earned income credit. If you are a farm worker and are paid on a daily basis, your employer is not required to pay you the advance amount of the credit.

How To Get Advance Payments for 1999

To get part of the credit in advance, you must fill out a 1999 Form W-5. After you have read the instructions and answered the questions on Form W-5, give the

lower part of the form to your employer. Keep the top part for your records.

More than one employer. If you have more than one employer, give a certificate to only one of them. If you are married and both you and your spouse are employed and expect to qualify for the credit, you may give a Form W-5 to your employer and your spouse may give one to his or her employer.



If you receive advance earned income credit payments in 1999, you must file Form 1040 or Form 1040A for 1999. You must file a return to report what you already received and to take advantage of any additional earned income credit that you may qualify for.

Receipt of advance payments you do not qualify for. If you receive advance payments and later find out that you do not qualify for the credit, you will have to pay back any advance payment you are not entitled to when you file your Form 1040 or Form 1040A.

When to give your employer a new Form W-5. The 1999 Form W-5 you give to your employer is valid until December 31, 1999. If you expect to qualify for the earned income credit in 2000 and you want to receive advance payments, you must give your employer a **new** Form W-5 in 2000. Do this each year you think you are eligible for the credit.

If you no longer want to get advance payments or if your situation changes and you no longer qualify for the earned income credit, you must give your employer a new Form W-5. Check the **No** box on line 1 of the new form.

If your spouse files a Form W-5 with his or her employer, you must file a new Form W-5 with your employer. Check the **Yes** box on line 4.

Advance Payments Received in 1998

If you received advance payments of the earned income credit in 1998, you must file a 1998 tax return to report the payments. Your Form W-2, box 9, will show the amount you received. Report the amount on line 54, Form 1040 or line 33, Form 1040A.



You cannot use Form 1040EZ to report your advance payments.

Part F. Disallowance of Earned Income Credit

This section discusses how you can take the earned income credit again after the IRS has disallowed your claim. If you improperly claim the earned income credit due to reckless or intentional disregard of IRS rules or regulations, you cannot claim the credit for the next 2 years. Also, if you fraudulently claim the earned income credit, you cannot claim the credit for the next 10 years. These sanctions are in addition to any other penalty

imposed, such as the accuracy-related penalty or the fraud penalty.

Eligibility after denial of credit. If your EIC claim is denied as the result of deficiency procedures, you cannot claim the credit again unless you attach to your return Form 8862. If you claim the credit without attaching Form 8862, your claim will be automatically denied. If you are subject to the 2- or 10-year disallowance period described below, these rules will apply if you wish to claim the EIC after the disallowance period is over.

If the IRS disallows all or part of your credit because of a mathematical or clerical error, do not file Form 8862. This type of error may include:

- Not including a required social security number on your return,
- Claiming the credit based on earnings from self-employment without paying the correct amount of self-employment tax, or
- Claiming the credit after a previous denial of the credit as the result of deficiency procedures without filing Form 8862.

Deficiency procedures. If the IRS questions your eligibility for the earned income credit for reasons other than a mathematical or clerical error, you may receive a letter from IRS asking for information about your eligibility for the credit. If you do not respond to the letter, or the information you provide does not show that you qualify for the credit, the IRS may send you a "notice of deficiency" by certified or registered mail. This notice tells you that your claim for the credit is denied and that you may owe additional tax and interest because the credit was denied. If you do not timely file a petition in the Tax Court, or the Tax Court (or other court) denies your claim, you will be denied the credit and may owe additional tax and interest.

Part G. How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



Personal computer. With your personal computer and modem, you can access the IRS on the Internet at www.irs.ustreas.gov. While visiting our Web Site, you can select:

- *Frequently Asked Tax Questions* to find answers to questions you may have.

- *Fill-in Forms* to complete tax forms on-line.
- *Forms and Publications* to download forms and publications or search publications by topic or keyword.
- *Comments & Help* to E-mail us with comments about the site or with tax questions.
- *Digital Dispatch* and *IRS Local News Net* to receive our electronic newsletters on hot tax issues and news.

You can also reach us with your computer using any of the following.

- Telnet at iris.irs.ustreas.gov
- File Transfer Protocol at ftp.irs.ustreas.gov
- Direct dial (by modem) **703-321-8020**



TaxFax Service. Using the phone attached to your fax machine, you can receive forms, instructions, and tax information by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



Walk-in. You can pick up certain forms, instructions, and publications at many post offices, libraries, and IRS offices. Some libraries and IRS offices have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response 7 to 15 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**

Western Area Distribution Center
Rancho Cordova, CA 95743-0001

- **Central part of U.S.:**

Central Area Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

- **Eastern part of U.S. and foreign addresses:**

Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261-5074



CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled-in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at www.irs.ustreas.gov/cdorders. The first release is available in mid-December and the final release is available in late January.

Earned Income Credit (EIC) Eligibility Checklist (For use in preparing 1998 tax returns)

*You may claim the earned income credit if you answer YES to all the following questions.**

	YES	NO
1. Is the total of your taxable and nontaxable earned income at least \$1 but less than: <ul style="list-style-type: none"> • \$10,030 if you do not have a qualifying child, • \$26,473 if you have one qualifying child, or • \$30,095 if you have more than one qualifying child? (See rules A-1, B-1, and C-1.) 	<input type="checkbox"/>	<input type="checkbox"/>
2. Is your modified AGI less than: <ul style="list-style-type: none"> • \$10,030 if you do not have a qualifying child, • \$26,473 if you have one qualifying child, or • \$30,095 if you have more than one qualifying child? (See rules A-1, B-1, and C-1.) 	<input type="checkbox"/>	<input type="checkbox"/>
3. Is your investment income \$2,300 or less? (See rule A-2.)	<input type="checkbox"/>	<input type="checkbox"/>
4. Is your filing status married filing jointly, head of household, qualifying widow(er), or single? (See rule A-3.) Caution: If you are a nonresident alien, your filing status must be married filing jointly to claim the credit. (See rule A-7.)	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you, your spouse, and your qualifying child each have a social security number? (See rule A-4.)	<input type="checkbox"/>	<input type="checkbox"/>
6. Answer YES if you (and your spouse if filing a joint return) are not a qualifying child of another person. (See rule A-5.)	<input type="checkbox"/>	<input type="checkbox"/>
7. Answer YES if you are not filing Form 2555 or Form 2555-EZ to exclude from your gross income any income earned in foreign countries or to deduct or exclude a foreign housing amount. (See rule A-6.)	<input type="checkbox"/>	<input type="checkbox"/>
STOP: If you have a qualifying child, answer questions 8 and 9 and skip 10–12. If you do not have a qualifying child, skip 8 and 9 and answer 10–12.*		
8. Does your child meet the age, relationship, and residency tests for a qualifying child? (See rule B-2.)	<input type="checkbox"/>	<input type="checkbox"/>
9. Is your child a qualifying child only for you? Answer YES if your qualifying child is also a qualifying child for another person but your modified AGI is higher than the other person's (See rule B-3.)	<input type="checkbox"/>	<input type="checkbox"/>
10. Was your main home (and your spouse's if filing a joint return) in the United States for more than half the year? Military personnel on extended active duty outside the United States are considered to be living in the United States. (See rule C-4.)	<input type="checkbox"/>	<input type="checkbox"/>
11. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1998? (See rule C-2.)	<input type="checkbox"/>	<input type="checkbox"/>
12. Answer YES if you (and your spouse if filing a joint return) cannot be claimed as a dependent on anyone else's return. If you (or your spouse if filing a joint return) can be claimed as a dependent on someone else's return, answer NO . (See rule C-3.)	<input type="checkbox"/>	<input type="checkbox"/>

* **PERSONS WITH A QUALIFYING CHILD:** If you answered **YES** to questions 1 through 9, you can claim the credit. Remember to fill out Schedule EIC and attach it to your Form 1040 or Form 1040A. You cannot use Form 1040EZ.

PERSONS WITHOUT A QUALIFYING CHILD: If you answered **YES** to questions 1 through 7 and 10 through 12, you can claim the credit.

IF YOU ANSWERED NO TO ANY QUESTION: You are not eligible for the credit.